

Overview of Private Financing Options

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Private Financing Options in 2SHB 1220

- ◆ Adequacy of personal savings and pensions
- ◆ Availability of family care and financial support
- ◆ Creative community-based strategies or partnerships
- ◆ Enhanced health insurance options
- ◆ Long term care insurance options
- ◆ Life insurance annuities
- ◆ Reverse mortgage and other home equity products

Adequacy of Personal Savings & Pensions

- ◆ Median resources among elderly
 - Income -- \$24,200; Non-housing assets -- \$51,500; Home -- \$122,789
- ◆ Personal financial contributions for supportive services :
 - Among older adults, account for about half of funding
 - Often help avoid Medicaid financing (50% of NF admits)
 - 40% of elderly Medicaid beneficiaries depleted their resources to spend down to Medicaid
 - Spenddown happens relatively quickly in nursing facilities
 - 20% of all admissions
 - 25- 36% occurring during the 1st three months
 - 50-75% within the first year
 - Spenddowners still pay for about 25% of their care
- ◆ Likely need different strategies aimed at:
 - Younger healthy individuals
 - Individuals with disabilities
 - Older adults

Family Care and Financial Support

- ◆ Family caregivers provide the majority of community-based care
 - Among elderly, 90 percent of those with disabilities
 - About 1/3 get paid care, much of it through Medicare
 - Individuals with developmental disabilities are less likely to marry and therefore most lack spousal support
 - Among unmarried under age 25, nearly 40% live with a single parent or other relative
 - Among adults, 60% live with relatives
- ◆ Families also contribute financial resources in a variety of ways
 - Directly pay for support services
 - Defray household maintenance costs
 - Purchase long term care insurance for parents
- ◆ Providing even small amounts of support at the right time can prevent the collapse of unpaid support systems
 - Respite, support groups, information and assistance

Community-Based Strategies/Partnerships

- ◆ The range of needs of individuals with chronic disease and disabilities requires a holistic approach
- ◆ Partnerships become the means for bringing together the necessary resources and expertise
 - Combining housing with services
 - Developing affordable and accessible housing
 - Bringing together the aging and disability networks to provide enhance information, referral and assistance
 - Providing assistive technology
 - Chronic care management strategies across both acute and social service settings

Enhanced Health Insurance Options

- ◆ Both managed care companies and fee-for-service insurers employ disease management strategies
 - Often disease specific and telephone based
 - Other focus on high cost cases irrespective of the cause
- ◆ Some employers offer financial incentives for employees to adopt healthy behaviors
 - Straight bonuses
 - Contributions to an employee's health savings account or health reimbursement account
 - Reductions in an employee's monthly contribution to the health premium
 - Gym memberships
 - Provided in exchange for meeting specific goals
 - Taking a health risk assessment
 - Entering a disease management program
 - Exercising for a certain amount of time per week
 - Participating in a smoking cessation program or not smoking

Long Term Care Insurance Options

- ◆ About 10% of those age 60+ own LTCI policies
- ◆ Policies more affordable at younger ages
 - Age 40 - \$890, Age 50 - \$1,135, Age 65 - \$2,350, Age 79 - \$7,570
- ◆ Not available to those who already have a disability
- ◆ Policy features and low market penetrations result in LTCI policies financing less than 5% of services
- ◆ Encouraging purchase of LTCI and improving policy features
 - Among younger individuals -- employer-sponsored plans
 - LTC Partnership policies -- Medicaid asset protection
 - Low to moderate income and enhanced policies

Life Insurance Annuities

- ◆ House pension reform bill, H.R. 2830, the Pension Protection Act, would:
 - Allow individuals to add a long-term care insurance rider to an annuity
 - Clarify that individuals can purchase policies that combine long-term care and life insurance, and
 - Update the tax code to include long-term care insurance contracts and riders among the insurance products that can be exchanged on a tax-deferred basis
- ◆ Possible new product -- trading lower annuity payouts while healthy for greater payouts when disabled

Reverse Mortgage & Home Equity Products

- ◆ Older Americans have \$2 trillion in untapped home equity
- ◆ Median home value of \$122,790 allows
 - \$80,580 reverse mortgage available to fund needed services
 - \$44,130 remaining home value
- ◆ Barriers to overcome:
 - Fixed costs associated with loans that constitute a high percentage of modest home values
 - Complexity of the product
 - Desire to leave home as inheritance